

The Charles Schwab Trust Company  
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March 23, 2007

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Jennifer J. Johnson  
Secretary  
Board of Governors of  
the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

RE: Definition of Terms and Exemptions Relating to the "Broker" Exceptions for  
Banks; SEC Release No. 34-54946; File Number S7-22-06; Docket No.R-1274); 71  
Federal Register 77522, December 26, 2006

Dear Ms. Morris and Johnson:

The Charles Schwab Trust Company ("CSTC") appreciates the opportunity to comment on proposed Regulation R issued under Section 3(a)(4) of the Securities Exchange Act of 1934 ("Regulation R"), as amended by the Gramm-Leach-Bliley Act of 1999 ("GLBA"). Regulation R implements a series of exemptions from the definition of broker, which were contained in Title II of the GLBA and which were intended to permit banks to continue to engage in securities transactions that were part of traditional bank activities. CSTC commends the Securities and Exchange Commission ("SEC") and the Board of Governors of the Federal Reserve System ("Federal Reserve") for proposing a regulation, which would implement the applicable provisions of Title II in a manner that will permit banks to continue their traditional activities as intended by GLBA.

CSTC is a state-chartered non-depository trust company subsidiary of The Charles Schwab Corporation with over \$67 billion in retirement and employee benefit plan and Individual Retirement Account ("IRA") assets. Its business consists exclusively of:

(i) acting as directed trustee or custodian of qualified and nonqualified retirement and other employee benefit plans in an “unbundled” service model in which CSTC works closely with various third party administrators to jointly provide servicing to plan participants through an efficient and cost-effective processing relationship; or

(ii) acting as custodian of IRAs established on behalf of plan participants that have been forced out of their retirement plans pursuant to Department of Labor guidelines.

Proposed Section 760 would permit banks acting as a custodian for employee benefit accounts, IRAs, and similar accounts to accept orders for securities transactions for those accounts. Subject to additional restrictions, banks would also be able to accept orders on an accommodation basis for other types of accounts for which it is acting as a custodian.<sup>1</sup>

CSTC applauds the SEC and the Federal Reserve for developing rules that would permit banks to continue to provide an integral custodial service to qualified and nonqualified employee benefit and retirement plans, IRAs, and similar accounts. The scope of Rule 760 recognizes the type of accounts for which banks provide custodial services which the custodial and employee benefit plan exceptions of the prior proposed Regulation B did not. As noted in CSTC’s comment letter on Regulation B, banks often provide their trustee and custodial services in the same manner to both qualified and nonqualified plans, essentially treating them together as one line of business.

We urge the SEC and the Federal Reserve to amend proposed Rule 760 to also permit banks acting as custodian for accounts established at the bank by third-party banks (who are in turn acting as a trustee or fiduciary for such accounts) to accept orders for securities transactions for the accounts. Many banks acting as a fiduciary or trustee with respect to their own client accounts may enter into a relationship with an unaffiliated bank to provide custodial services with respect to such accounts. The banks providing such custodial services receive orders for securities transactions from the trustee or fiduciary bank, and not directly from the grantor/beneficial owner. This relationship is similar to those established at the custodian bank for employee benefit plans where a fiduciary is responsible for establishing and managing the relationship with the custodian. Given the obligations of a bank acting in a trustee or fiduciary capacity to act solely in the best

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<sup>1</sup> The proposed rules contain restrictions on bank employee compensation related to securities transactions in a custodial accounts and advertising limitations. Banks (i) may not accept securities transaction orders for custodial accounts that are not employee benefit plan account, individual retirement and similar accounts unless such acceptance, subject to certain additional conditions, is done on an accommodation basis; (ii) must direct the trade to a registered broker for execution; and (iii) must not act as a carrying broker.

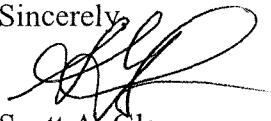
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interests of the grantor/beneficiary in managing a custodial relationship, no additional protections or benefits are gained by imposing the additional restrictions that apply to accommodation trades for custodial accounts. The primary impact would be to reduce the number of institutions willing to act as a sub-custodian for medium and small banks, thereby reducing competition and the availability and breadth of products and services available to the clients of these banks.

In conclusion, CSTC recommends that the SEC and the Fed amend proposed Rule 760 to treat sub-custodian services offered by a bank to third party banks acting as a trustee or fiduciary in the same manner as those offered by the bank with respect to employee benefit and retirement plans, IRAs and similar accounts. The nature of sub custodian services is similar in many aspects to these accounts as a trustee or fiduciary is responsible for managing the custodial relationship and deals directly with the sub custodian, not the grantor or beneficiary. If you have any questions, please contact me at the number below.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Glave', with a stylized flourish extending from the end.

Scott A. Glave  
Vice President

Cc: Mark Coffrini, Chief Operating Officer  
Gail Mayland, General Counsel  
Laurie Schaffer, Office of Corporate Counsel